



DEPARTMENT OF HOMELAND SECURITY

Federal Emergency Management Agency

[Docket ID: FEMA-2021-0021]

Request for Information on the National Flood Insurance Program's Community Rating System

AGENCY: Federal Emergency Management Agency, Department of Homeland Security (DHS).

ACTION: Notice and request for information.

SUMMARY: The Federal Emergency Management Agency (FEMA) is issuing this Request for Information (RFI) to receive input from the public on transforming the Community Rating System (CRS) under the National Flood Insurance Program (NFIP) to better align with the current understanding of flood risk and flood risk approaches and to incentivize communities to not only manage but also lower their flood risk through floodplain management initiatives. The NFIP's CRS program is a voluntary incentive program that recognizes and encourages community floodplain management practices that exceed the minimum requirements of the NFIP for floodplain management. As FEMA undertakes a series of initiatives that will transform the NFIP, the agency is evaluating the CRS program and its potential to support FEMA, State, local, Tribal, and Territorial community goals and needs.

DATES: Written comments are requested on or before [INSERT DATE 30 DAYS AFTER DATE OF PUBLICATION IN THE FEDERAL REGISTER]. Late-filed comments will be considered to the extent practicable.

ADDRESSES: You may submit comments, identified by Docket ID: FEMA-2021-0021, through the *Federal eRulemaking Portal*: <http://www.regulations.gov>. Follow the instructions for submitting comments. Please note that this RFI period is not rulemaking and the Federal Rulemaking Portal is being utilized only as a mechanism for receiving comments.

FOR FURTHER INFORMATION CONTACT: Rachel Sears, Supervisory Emergency Management Specialist, Federal Insurance and Mitigation Administration, Federal Emergency Management Agency, FEMA-CRS-Next@fema.dhs.gov, 202-212-3800.

SUPPLEMENTARY INFORMATION:

I. Public Participation

Interested persons are invited to comment on this notice by submitting written data, views, or arguments using the method identified in the **ADDRESSES** section.

Instructions: All submissions must include the agency name and Docket ID for this notice. All comments received will be posted without change to <http://www.regulations.gov>. Commenters are encouraged to identify the number of the specific question or questions to which they are responding.

Docket: For access to the docket to read background documents or comments received, go to <http://www.regulations.gov> and search for the Docket ID.

II. Background

Floods are the most common and most destructive natural disaster in the United States.¹ Every year, flooding causes hundreds of millions of dollars in damage to homes and businesses around the United States.² Anywhere it can rain, it can flood. With 99% of counties in the United States having experienced a flood³ and when just one inch of water can cause \$25,000 in damage in a home,⁴ communities across the country must make difficult decisions about protecting lives and property from flooding.

¹ See Ready Campaign, Floods (updated Apr. 9, 2021) at <http://www.ready.gov/floods> (last accessed July 15, 2021). See also National Weather Service, Flood Related Hazards at <http://www.weather.gov/safety/flood-hazards> (“Approximately seventy-five percent of all Presidential disaster declarations are associated with flooding.”) (last accessed July 15, 2021).

² See Billion-Dollar Weather and Climate Disasters: Summary Stats, at <http://www.ncdc.noaa.gov/billions/summary-stats> (last accessed July 7, 2021).

³ See Historical Flood Risk and Costs at <http://www.fema.gov/data-visualization/historical-flood-risk-and-costs> (last accessed, July 9, 2021)

⁴ See Why Buy Flood Insurance at <http://www.floodsmart.gov/flood-insurance/why> (last accessed July 1, 2021).

Standard homeowners and commercial property insurance policies do not cover flood losses. To meet the need for this vital coverage, FEMA administers the National Flood Insurance Program (NFIP), which offers reasonably priced flood insurance to all properties in communities that comply with minimum standards for floodplain management. To be covered by an NFIP flood insurance policy, a property must be in a community that participates in the NFIP. To qualify for the NFIP, a community adopts and enforces a floodplain management ordinance to regulate development in flood hazard areas.⁵ The objective of the ordinance is to minimize the potential for flood damage to future development. Today, over 22,500 communities in the United States participate in the NFIP.⁶

In 1990, FEMA implemented the Community Rating System (CRS) as a voluntary program for recognizing and encouraging community floodplain management activities exceeding the minimum NFIP standards and the CRS program was fully authorized by the National Flood Insurance Reform Act of 1994.⁷ Any community⁸ in full compliance with the minimum NFIP floodplain management requirements may apply to join the CRS program. Through the CRS program, communities undertaking floodplain management activities that exceed the minimum floodplain management requirements of the NFIP earn CRS credits (often referred to as “points”) that result in flood insurance premiums discounts for NFIP policyholders who reside in that community. As of April 2021, over 1,500 communities participate in the CRS program nationwide. This represents about seven percent of eligible NFIP communities that could participate in the CRS program. However, these communities have a large number of

⁵ 44 CFR 59.2(b).

⁶ See The Watermark – National Flood Insurance Program Financial Statements found at: <http://www.fema.gov/flood-insurance/work-with-nfip/watermark-financial-statements> (last accessed July 27, 2021).

⁷ Pub. L. 103-325, 108 Stat. 2255 (1994).

⁸ “Community” means any State or area or political subdivision thereof, or any Indian tribe or authorized tribal organization, or Alaska Native village or authorized native organization, which has authority to adopt and enforce flood plain management regulations for the areas within its jurisdiction. 44 CFR 59.1.

NFIP flood insurance policies—nearly 3.6 million—so more than 70 percent of all NFIP policies are written in communities participating in the CRS program.⁹

The CRS program credits community efforts that exceed the minimum standards by reducing flood insurance premiums for the community’s policyholders. The CRS program is similar to, but separate from, the private insurance industry’s programs that grade communities on the effectiveness of their fire suppression and building code enforcement efforts. CRS program discounts on flood insurance premiums range from 5 percent up to 45 percent based on the level of CRS program credits awarded to communities. The discounts provide an incentive for communities to implement new flood protection activities that help save lives and property when a flood occurs and correlate to FEMA’s expected savings for these local floodplain activities.

To participate in the CRS program, local floodplain management actions must be described, measured, and evaluated by the CRS program. The CRS program assigns credits for defined activities. Most activities are optional; however, some activities are required to achieve higher Classes. A higher-Class community achieves higher levels of discount; a Class 1 community achieves the highest discount of 45 percent. The basic documents detailing the program are the NFIP Community Rating System Coordinator’s Manual (known as the “CRS Coordinator’s Manual”) and the 2021 Addendum to the NFIP Community Rating System Coordinator’s Manual (known as the “2021 Addendum”).¹⁰ Taken together, these documents set forth the procedures, creditable activities, and the credit assigned to each activity, and give examples of activities and how their credit is calculated.

⁹ FEMA, Community Rating System Fact Sheet, June 2021, at <http://www.fema.gov/fact-sheet/community-rating-system> (last accessed July 12, 2021).

¹⁰ Includes both the FEMA, NFIP Community Rating System Coordinator’s Manual, at http://www.fema.gov/sites/default/files/documents/fema_community-rating-system_coordinators-manual_2017.pdf, and the 2021 Addendum to the NFIP Community Rating System Coordinator’s Manual, at http://www.fema.gov/sites/default/files/documents/fema_community-rating-system_coordinator-manual_addendum-2021.pdf. (last accessed July 1, 2021).

The discounts on premium rates for NFIP flood insurance coverage are based on flood and erosion risk reduction measures implemented by a CRS community.¹¹ The CRS program provides credit to participating communities under 19 public information and floodplain management activities as described in the CRS Coordinator's Manual. To receive credit, community officials prepare documentation that verifies the efforts made under the 19 activities. The CRS program activities include but are not limited to: (1) public information to advise people about flood hazards, flood insurance, and ways to reduce flood damage; (2) mapping and regulations to limit floodplain development or provide increased protection to new and existing development; (3) flood damage reduction; and (4) flood preparedness to provide flood warning, levee safety, and dam safety projects.

Based on the total number of credits a community earns, the CRS program assigns the community to one of ten different Classes. The community will then receive flood insurance discounts based on the community's Class. For example, a community earning 4,500 credits or more qualifies for Class 1, and property owners in the Special Flood Hazard Area (SFHA) receive a 45 percent discount on their NFIP flood insurance premiums. Similarly, a community with as few as 500 credits will be in Class 9 and property owners in the SFHA receive a 5 percent discount. Communities may receive additional credit for regulating development outside the SFHA to the same standards as inside the SFHA. Credits are also available for assessing future flood conditions, including the impacts of future development, urbanization, and climate change impacts including sea-level rise. Additionally, communities can qualify for "State-based credit" based on the activities or regulations a State or regional agency implements within communities. A community that does not participate in the CRS program, or does not obtain the minimum number of credit points, is a Class 10 community and receives no discount on NFIP flood insurance premiums.

¹¹ See 2017 CRS Coordinator's Manual, Appendix D found at http://www.fema.gov/sites/default/files/documents/fema_community-rating-system_coordinators-manual_2017.pdf.

FEMA is seeking input on ways the agency can improve the CRS program: (1) to better align the CRS program with the improved understanding of flood risk and flood risk approaches that have developed since the program's inception; (2) to better incentivize communities and policyholders to become more resilient and to not only manage, but to lower their vulnerability to flood risk; and (3) to support the sound financial framework of the NFIP.

While the CRS program today has evolved, the overall approach and framework of the program has been the same since the start of the program. As FEMA undertakes many initiatives that will transform the NFIP, the agency is also evaluating the CRS program and its potential to support FEMA, State government, Tribal government, Territorial and community goals and needs. While the agency has made incremental changes since the CRS program's implementation, the agency is seeking input to improve the program further through additional programmatic changes. With the continuous learning around flood, flood risk management, and flood risk reduction techniques, FEMA now has more information about and understanding of multi-frequency analysis, pluvial flooding, climate change, and the extent of flood risk outside of the SFHA. FEMA seeks to make larger improvements within our programs based on these developments and is now taking a holistic look at the CRS program to determine how the program can best meet FEMA and stakeholder needs.

As FEMA reviews the CRS program, several foundational assumptions underpin this programmatic review and improvement effort (called "CRS Next"), including that the CRS program will continue to provide whole-community public benefits through a rewards-based program; the CRS program will continue to increase both the visibility of comprehensive flood risk and recognition of actions taken by a community; the CRS program will support and contribute to the financial soundness of the NFIP; the CRS program will be simpler for communities to join and participate in; the CRS program will be simpler for FEMA to explain to communities and also for communities to explain to their constituents; the CRS program will

clarify that it does not address structure-based risk reduction activities; and FEMA will avoid duplication between the approaches of the CRS program and other NFIP Transformation efforts.

FEMA is also further reviewing the CRS program in light of recent Executive orders focused on equity, climate change, and environmental justice. FEMA recently sought input through another Request for Information pursuant to the processes required by Executive Orders 13985, 13990, and 14008¹² that require agencies to assess existing programs and policies to determine if: (1) agency programs and policies perpetuate systemic barriers to opportunities and benefits for people of color and other underserved groups; (2) additional agency actions are required to bolster resilience to climate change; and (3) agency programs, policies, and activities address the disproportionately high and adverse climate-related impacts on disadvantaged communities.¹³ The input received from that Request for Information will also be used to assist FEMA's initiative to improve and update the CRS program. Additional comments on equity related to CRS may also be provided through this RFI.

FEMA continually evaluates its programs, regulations, and policies, to identify opportunities to modify, streamline, expand, or repeal. FEMA does so through legally mandated review requirements (e.g., Unified Agenda reviews and reviews under section 610 of the Regulatory Flexibility Act) and through other informal and long-established mechanisms (e.g., use of Advisory Councils, feedback from FEMA field personnel, input from internal working groups, and outreach to regulated entities and the public). This *Federal Register* notice supplements these existing extensive FEMA regulatory and program review efforts.

II. Request for Input

A. Importance of Public Feedback

¹² See “Advancing Racial Equity and Support for Underserved Communities Through the Federal Government,” 86 FR 7009 (Jan. 25, 2021); “Protecting Public Health and the Environment and Restoring Science to Tackle the Climate Crisis,” 86 FR 7037 (Jan. 25, 2021); and “Tackling the Climate Crisis at Home and Abroad,” 86 FR 7619 (Feb. 1, 2021).

¹³ Request for Information on FEMA Programs, Regulations, and Policies, 86 FR 21325 (April 22, 2021).

FEMA is committed to obtaining public input to drive and focus FEMA's review of the CRS program. Because Federal regulations and policies have broad impacts on society in general, members of the public are likely to have useful information, data, and perspectives on the benefits and burdens of FEMA's existing programs, regulations, information collections, and policies. Accordingly, FEMA is seeking specific public feedback to facilitate the CRS program review and improvement efforts in the context of equity for all, including those in underserved communities. With the increasing risk of flooding and flood damage, in part because of climate change, it is essential that FEMA reevaluate programs to reduce unnecessary barriers to participation and effectiveness, to serve all communities, to increase equity, and to promote preparedness.

B. Maximizing the Value of Public Feedback

This notice contains a list of questions, the answers to which will assist FEMA in identifying those aspects of the CRS program that may benefit from modification, streamlining, or expansion. FEMA encourages public comment on these questions and seeks any other data commenters believe are relevant to FEMA's efforts. The type of feedback that is most useful to the agency will identify specific CRS program components that could benefit from reform; refer to specific barriers to participation; align the CRS program with the improved understanding of flood risk and flood risk reduction approaches gained since the initiation of the program; better incentivize communities and policyholders to become more resilient and lower their vulnerability to flood risk; offer actionable data; and specify viable alternatives to existing approaches that meet statutory obligations.

For example, feedback that contains specific information explaining a proposed change to the CRS program, how such a change could be implemented, and why said change would be beneficial (i.e., the outcomes a proposed change would aim to effect) is more useful to FEMA than generic feedback that omits these components. FEMA is looking for new information and new data to support any proposed changes.

Commenters should consider these principles as they answer and respond to the questions in this notice.

- Commenters should identify, with specificity, the CRS program policy or process at issue.
- Commenters should explain, with as much detail as possible, why an aspect of the CRS program should be modified, streamlined, expanded, or repealed, and provide specific suggestions of ways the agency can better achieve its objectives.
- Commenters should provide specific data that document the costs, burdens, and benefits of existing requirements to the extent they are available. Commenters might also address how FEMA can best obtain and consider accurate, objective information and data about the costs, burdens, and benefits of the CRS program and whether there are existing sources of data that FEMA can use to evaluate the effects of the CRS program over time.
- Commenters should identify with specificity administrative burdens, CRS program requirements, information collection burdens, waiting time, or unnecessary complexity that may impose unjustified barriers in general, or that may have adverse effects on equity for all, including those in underserved communities. This Request for Information and change effort aligns with broader FEMA efforts to solicit public comments on FEMA Programs, Regulations, and Policies. FEMA is seeking additional information specific to the CRS program and the CRS Next change effort on the topics of equity for all, including those in underserved communities. Commenters seeking to provide input on these areas should respond to the questions below in this Request for Information.
- Commenters should identify with specificity small or large reforms that might be justified in light of the risks posed by climate change, including but not limited to sea-level rise, intense rainfall, changing weather patterns, riverine and coastal erosion, and shifts in future development.

- Particularly where comments relate to the CRS program's costs or benefits, comments will be most useful if there are data and experience under the program available to ascertain the program's actual impact.

C. List of Questions for Commenters

The below non-exhaustive list of questions is meant to assist members of the public in the formulation of comments and is not intended to restrict the issues that commenters may address:

- (1) What are the strengths of the current CRS program? What components of the program are currently working well and why?
- (2) What are the challenges with the current CRS program that need to be addressed and why? How can the CRS program be modified, expanded, or streamlined to better address or resolve these challenges?
- (3) While the CRS program is technically available to all compliant NFIP communities, is access to the CRS program equitable for all communities? If not, what changes to the CRS program could make it more equitable for all communities? How could the CRS program provide better outreach to disadvantaged communities to encourage participation? How could the CRS program provide better outreach to households in disadvantaged communities to encourage participation in the NFIP?
- (4) How could the CRS program better promote and/or incentivize improved reduction of future conditions and risks such as climate change, sea-level rise, urban flooding, and future development?
- (5) How could the CRS program better address the mitigation of repetitive loss/severe repetitive loss¹⁴ properties and how could FEMA further leverage the CRS program to achieve mitigation of repetitive loss/severe repetitive loss properties?

¹⁴ "Repetitive loss properties" are those properties for which two or more claims of more than \$1,000 have been paid by the NFIP within any 10-year period since 1978. "Severe repetitive loss properties" are those as defined in the Flood Insurance Reform Act of 2004 that are one-four family properties that have had four or more claims of more than \$5,000 or two to three claims that cumulatively exceed the building's value. CRS considers non-residential buildings that also meet these criteria to be severe repetitive loss properties. *See* National Flood Insurance Program

- (6) How can the CRS program be modified, expanded, or streamlined to best incentivize participation by communities and flood insurance policyholders to become more resilient and lower their vulnerability to flood risk?
- (7) How can the CRS program better incentivize floodplain management, risk management, and/or risk reduction efforts for communities through CRS discounts, grants, trainings, technical assistance or other means? Which efforts are most critical for the CRS program to support?
- (8) What existing sources of data can FEMA leverage to better assist communities to assess, communicate, and drive the reduction of current and future flood risk? Can FEMA leverage new technologies to modify or streamline the CRS program? If so, what are they and how can FEMA use new technologies to achieve the statutory objectives of the program?
- (9) The CRS program provides credits for flood risk reduction activities. Are there flood risk reduction activities that are not currently given credit within the CRS program that should be? If so, what are they and why? Are there flood risk reduction activities that are currently given excessive credit within the CRS program than they should be given? If so, what are they and why? Should the CRS program provide a list of optional risk reduction activities for communities to choose from or a list of required risk reduction activities, and why?
- (10) What successful approaches have been taken by State, local, Tribal, and Territorial governments that the CRS program could leverage to better support community participation in the CRS program? In what ways could the CRS program better support States, Tribes, Territories and Regions, and flood control and water management districts to improve community participation in the program? What innovative changes could the CRS program make to be simpler for communities to join and maintain participation?

(11) How could the CRS program provide better outreach to disadvantaged communities to encourage participation? How could the CRS program provide better outreach to households in disadvantaged communities to encourage participation in the NFIP?

(11) In what ways could the CRS program facilitate collaboration across jurisdictional boundaries to support a community's ability to reduce flood risk? How could the CRS program be modified, expanded, or streamlined to allow for multi-jurisdictional collaboration efforts to receive credit under the CRS program?

(12) What opportunities exist for the CRS program to better integrate with other entities and/or programs? For example, in what specific ways could the CRS program better work and integrate with State, local, Tribal, and Territorial programs, including but not limited to, floodplain management, emergency services, land use planning and building code administration capital improvement, transportation, redevelopment, pre- and post-disaster recovery, climate adaptation, hazard mitigation planning, watershed management, and/or wetlands, riparian, or environmental management programs? In what specific ways could the CRS program better work and integrate with Federal disaster assistance programs or Federal mitigation programs?

FEMA notes that this notice is issued solely for information and program-planning purposes. Responses to this notice do not bind FEMA to any further actions related to the response.

Deanne Criswell,
Administrator,
Federal Emergency Management Agency.